



# Exit Counseling

**Keep in mind that you will have to repay your loan(s) even if you don't finish school, aren't satisfied with your education, or are unable to find a job. Plan ahead for repaying your loan, and budget wisely.**

Continuing your education is a decision you made to improve yourself and your potential. Hopefully, your skills and earning power have grown, because with that decision comes increased financial responsibilities.

Repaying your student loan(s) is a responsibility that won't go away until you pay your loan(s) in full. Borrowing for your education has long-term effects, but there's no reason why these effects can't be positive.

MOSTARS, the student assistance division of the Missouri Department of Higher Education, has provided this guide to help you manage your student loan debt wisely and to inform you about options available before and throughout your repayment period.

## Tip



**Keep a file of your student loan records. You will be glad you did!**

**Keep copies of the following information — preferably in one place (like in this folder):**

- Loan applications and promissory notes
- Student Aid Reports (SARs) and verification worksheets
- Disclosure statements
- Receipts (for example, from your school cashier's office)
- Financial aid award letters
- Deferment and forbearance requests
- All financial aid correspondence to and from your school, lender, guarantor, or servicer
- Names, dates, and brief descriptions of phone conversations with your lender
- Entrance and exit interview forms
- Your Borrower Rights and Responsibilities Checklist
- Other financial aid forms and applications
- Brochures and other loan information from your school, lender, guarantor, or servicer

## Remember:

- ✓ **Loans must be repaid even if you do not complete your program or you are unhappy with the quality of your program.**
- ✓ **Your ability or inability to repay this loan can affect your credit-worthiness for other purchases, such as a car or a home.**
- ✓ **Failure to repay may increase your total debt, because collection costs can be added to your loan.**

## If You Decide to Return to School...

If you received a Federal Stafford Loan under a Master Promissory Note (MPN) and you are returning to an eligible school, you may be able to receive subsequent loans for up to 10 years from the date you signed the MPN without signing another note. Each year, your school will notify you of the Federal Stafford Loan amount for which you are eligible. You have the right to reduce or refuse your Federal Stafford Loan amount and to revoke your lender's ability to make subsequent loans under an existing MPN at anytime. Often, loans are sold to a holder as they near repayment, so it is a good idea to contact the lender on your MPN to ensure that your lender retains the right to make additional loans for you under your existing MPN. If you decide to change lenders, you must sign another MPN. If you transfer to another school, you should advise your school that you have received previous loans from a particular lender under an existing MPN.

Depending upon the school you attend, you may be required to sign an MPN for each loan you receive. Your school will inform you about its MPN procedures.

# Create a Budget

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**Meeting credit obligations is essential to maintaining a positive credit history. Take the time to establish a budget — it will be an important tool in managing your repayment obligations.**

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Budgeting puts you in control and helps you make better decisions. Maintaining a monthly budget also helps you manage your debts efficiently. As you complete your budget worksheet on page 3, remember:

- ✓ **Be realistic! Do not cut basic necessities.**
- ✓ **Be flexible! It will not work if it is too tight or too loose.**
- ✓ **Keep it simple! Don't get so detailed that your budget becomes a chore instead of a useful tool.**
- ✓ **Give it time!**
- ✓ **Keep it updated!**

## Completing your budget worksheet can be easy...**REALLY!**

- 1.** Identify all your sources of income, such as salary (actual or anticipated), savings, gifts, and other earnings. **RECORD AND TOTAL YOUR RESOURCES.**
- 2.** Calculate your living expenses. Include rent or mortgage, utilities, transportation, entertainment, medical and personal expenses, and savings. *Do not forget to include your actual or anticipated monthly student loan payment(s)!* **RECORD AND TOTAL YOUR EXPENSES.**
- 3.** Subtract your expenses from your resources to calculate the remaining funds, or your annual **DISCRETIONARY INCOME**. If you do not have enough money, you will have to make the necessary adjustments to reduce your costs, and you might have to consider alternative repayment options and/or loan consolidation.



### Get a “ballpark” estimate...

- **Research what your salary might be once you are working in your career field. Your school's career services office should be able to assist you in estimating your potential earnings.**
- **If you don't know what your student loan payment(s) will be, use the repayment charts on pages 14 and 15 to estimate your total loan debt and monthly payment(s). Then complete the simple equation on page 4. This will help you estimate what percentage of your monthly income your loan payment(s) will be.**



# Budget Worksheet

Year \_\_\_\_\_

1

## Resources

Annually

SAVINGS AND GIFTS \_\_\_\_\_

INCOME \_\_\_\_\_

(includes employment earnings, nontaxable income, and other)

**TOTAL ANNUAL  
RESOURCES**



2

## Expenses

Monthly

Annually

SAVINGS PLAN(S) \_\_\_\_\_

LOAN PAYMENT(S) \_\_\_\_\_

(may include Federal Stafford Loan, Federal PLUS Loan, Federal SLS Loan, Federal Perkins Loan, and other loans)

HOUSING \_\_\_\_\_

(includes rent or mortgage, utilities, phone, groceries, dining out, furnishings, decorating, and taxes)

TRANSPORTATION \_\_\_\_\_

(includes car payment, gas, oil, and repairs)

PERSONAL \_\_\_\_\_

(includes household supplies, clothing, dry cleaning/laundry, and other personal items)

INSURANCE \_\_\_\_\_

(includes medical, life, car, and personal property insurance)

DISCRETIONARY \_\_\_\_\_

(includes entertainment, gifts (e.g., charities, holidays), and membership fees (e.g., gym))

MISCELLANEOUS \_\_\_\_\_

(includes child care, alimony or support, installments (e.g., credit cards), and emergencies)

**TOTAL ANNUAL  
EXPENSES**

3

## Remaining Funds

Annual Resources

**minus** Annual Expenses

**equals** Discretionary Income



# The Road to Your Future

June 2003

## Exit Loan Counseling Booklet Update

**Please note the following important supplemental information to the MOSTARS exit counseling guide, "The Road to Your Future."**

Please refer to page 4, under "Tip." The guide states, "List your loan(s) in the student loan record on the inside pocket of the back cover. Use a pencil, so you can update information as necessary." If you are uncertain about your current loan amount(s) or loan holder(s), check your student loan records on the National Student Loan Data System at **[www.nslds.ed.gov](http://www.nslds.ed.gov)**. If you do not have internet access, you can call **(800) 4FEDAID** for this information.

# Plot Your Payment

- A.** Record your estimated annual gross income at the time you plan to graduate. [**A = annual gross income**]
- B.** Divide your estimated annual gross income by 12 to get your estimated monthly gross income. [**B = A ÷ 12**]
- C.** Using the standard repayment charts on pages 14 and 15, record the total monthly payment amount for loans from all years of college. [**C = monthly loan payment**]
- D.** Calculate what percentage of your gross monthly income your student loan payment(s) will be. [**D = (C ÷ B) x 100**]





*Is this figure 8 percent or less?  
(See tip below)*

## Did you know about 8 percent?

**Most lenders recommend that student loan payments not exceed 8 percent of your monthly gross income. Your total non-mortgage debt (including student loans, car loans, and credit cards) should not exceed 12 percent of your net income.**

## Tip



## Tip



**List your loan(s) now, while the topic is fresh in your mind!**

**List your loan(s) in the student loan record on the inside pocket of the back cover. Use a pencil, so you can update information as necessary.**

## EXAMPLES

### of when a student's first loan payment would be due:

#### Federal Stafford Loan (sub and unsub)

Less than half-time date: May 15, 2001  
 Grace period begins: May 16, 2001  
 Grace period ends: Nov. 16, 2001  
 First payment due between: Nov. 17 and Dec. 31, 2001

#### Federal PLUS Loan

First disbursement: Sept. 1, 2001  
 Second disbursement: Feb. 1, 2002  
 First payment due between: Feb. 2 and April 2, 2002



# Don't Get Caught on Empty...

## Know When Your First Payment Is Due

**Your loan holder will send you a repayment schedule before your first payment is due. This schedule contains detailed information about your loan payments, including when your first and subsequent monthly payments are due.**

### Tip



#### **Do not get caught off guard!**

**Do not be surprised if you receive repayment information from a different holder than the one listed on your loan application. Lenders often sell student loans to secondary markets. If your loan is sold, you will be notified in writing and given the name, address, and phone number of the new holder.**

**Remember: Your loans are due when your grace period ends, whether or not you receive repayment information. If you are nearing repayment and have not received this information, contact your lender, holder or guarantor!**

Depending on the type of FFELP loan(s) you received, you'll generally begin repayment within 30 days to six months after you graduate, leave school, or drop to less than half-time enrollment. (See the examples on the previous page.) Notify your loan holder any time your enrollment status changes.

### Grace Period

Your grace period is the time period between the day you are no longer enrolled at least half time and the day you must begin repayment. Grace periods apply only to Federal Stafford Loan borrowers and to some Federal Supplemental Loan for Students (SLS) borrowers who also have Federal Stafford Loans.

Military reservists who are called to active duty for more than 30 days while in school or in the grace period are entitled to an extension of the grace period, not to exceed three years. This three-year period may include the time necessary for you to re-enroll at the next regularly scheduled enrollment opportunity.



### When Repayment Begins

#### **Subsidized Federal Stafford Loan Borrowers**

After you graduate, leave school, or drop to less than half-time enrollment, you have a six-month grace period before you must begin repayment. During this time, the federal government pays the interest that accrues on your subsidized loan(s).

#### **Unsubsidized Federal Stafford Loan Borrowers**

After you graduate, leave school, or drop to less than half-time enrollment, you have a six-month grace period before you must begin repayment. However, as soon as your unsubsidized loan was disbursed, it began accruing interest. (You either chose to pay the interest in monthly or quarterly installments OR to defer interest until you must begin repaying the loan principal.) Deferred interest payments will be accumulated and added to the principal (capitalized) when repayment begins, increasing your total loan debt.

#### **Federal SLS Borrowers**

If you have BOTH Federal Stafford and SLS loans that have not yet entered repayment, you have the option of requesting a six-month grace period (sometimes called "alignment") for your SLS loan. During this time, interest continues to accrue on the SLS portion of your loan as well as on any unsubsidized Stafford Loans. If you do NOT request this option, you must begin repaying your SLS loan within 45 days after your in-school deferment ends. (See page 7 for more information about this deferment option.)

#### **Federal PLUS Borrowers**

The first payment is due within 60 days after the loan is fully disbursed; however, it is possible that an interest payment will be due before this time. If you received your Federal PLUS loan before July 1, 1993, you may have requested from your lender the option to defer repayment while your dependent student was enrolled in school full time.

#### **Federal Consolidation Loan Borrowers**

Your first principal payment is due within 60 days after the Federal Consolidation Loan is disbursed to the lender(s) holding your underlying loan(s). Interest begins accruing the day the Federal Consolidation Loan is disbursed. If you consolidate your loan(s) during your grace period, you will forfeit any remaining grace period.

**An additional repayment option, the Extended Repayment Plan, is available for new borrowers who received their FFELP loans on or after Oct. 7, 1998, and whose total FFELP loan debt exceeds \$30,000.**

## Tip



### Repayment

**If you pay more than the minimum monthly payment, you will pay less interest in the long run, thereby reducing your total debt — sometimes substantially!**

## Repayment Options... Choosing the Right Path

**Contact your loan holder to find out more about the following repayment options.**

### **Prepayment: Great If You Can Do It!**

- You may prepay all or part of your loan(s) at any time without penalty.
- Prepayment may substantially decrease your total interest costs.
- Be sure to indicate on your payment coupon that prepayments should be applied to the principal if you do not want them applied to a future payment.

### **Standard Repayment: Lowest Total Cost (if you are not prepaying)**

- Fixed schedule of equal monthly payments
- 10-year repayment period
- Minimum \$50 monthly payment
- Ideal for borrowers capable of meeting full monthly principal and interest payments

### **Graduated Repayment: Short-Term Relief**

- Monthly schedule that starts with small payments that increase gradually over time
- 10-year repayment period
- Your loan holder will set your minimum monthly payment.
- Assumes your income will grow over time to cover the increasing loan payments
- The total interest paid will be somewhat higher than with the standard repayment plan.

### **Income-Sensitive Repayment: Temporary Safety Net**

- Changing payment schedule that assigns fixed monthly payments for one year at a time—scheduled payments may increase or decrease each year as your income rises or falls
- 10-year repayment period that can be extended annually up to five years if payments are less than the standard principal and interest
- Your loan holder will set your minimum monthly payment based on income documentation you provide.
- Monthly payments generally range from 4 to 25 percent of your gross monthly income.

### **Consolidation: An Option for Borrowers With One or More Student Loans**

- Allows you to pay off one or more outstanding student loans (subsidized and unsubsidized Federal Stafford, Federal PLUS, Federal SLS, ALAS, Perkins, FISL and/or HPSL) with a new loan with new terms
- Features one payment and one lender
- The interest rate is a weighted average of the interest rates for the loans being consolidated and is rounded up to the nearest one-eighth of 1 percent (cap of 8.25 percent).
- Extended repayment period of up to 30 years
- Reduced deferment opportunities
- Lower monthly payments but higher total interest costs
- This is an affordable monthly payment option for those who have borrowed large amounts; however, the total payback amount is more. Consult your lender to determine whether a Federal Consolidation Loan is the best option for you.

### **Extended Repayment Plan**

- For new borrowers with FFELP loans disbursed on or after Oct. 7, 1998, and whose total FFELP loan debt exceeds \$30,000
- Fixed annual or graduated payment schedule
- Maximum 25-year repayment period
- Your loan holder will set your minimum monthly payment, which must at least equal the amount of interest due.



# Having Trouble Making Payments?

**The single most important thing to do is stay in touch with your loan holder. If you think you're going to miss a payment, contact your loan holder immediately!**

If you are unable to make your scheduled student loan payment(s), you may qualify for a deferment or forbearance.

**Contact your loan holder for more information about eligibility requirements and application procedures. It is your responsibility to provide all documentation required to process the deferment in a timely manner.**

## Deferment

A deferment is a temporary period of time when you are not required to make loan payments. Numerous deferment options are available, and the type of deferment for which you qualify depends on when you borrowed your first outstanding FFELP loan. Deferment eligibility criteria are very specific and are outlined by the U.S. Department of Education.

### Subsidized Federal Stafford Loan Borrowers

The federal government will pay the interest that accrues during the deferment period.

### Unsubsidized Federal Stafford, SLS, PLUS, and Most Consolidation Loan Borrowers

You are responsible for paying all interest that accrues during deferment periods; however, you may choose either to pay the interest during this time or to defer interest payments. Deferred interest payments will be accumulated and added to the principal (capitalized) when repayment begins, thus increasing your total loan debt. For more information about Federal Consolidation Loan interest benefits during deferment periods, see note 3 on page 17.

### Federal SLS Borrowers Who Also Have a Federal Stafford Loan

By signing a Federal Stafford Loan MPN, you authorize your loan holder to defer repayment of your Federal SLS loan principal until six months after you stop attending school at least half time. This will make your SLS loan repayment coincide with your Stafford Loan repayment. During this time, interest continues to accrue on the SLS loan as well as on any unsubsidized Stafford Loan. You may choose to pay interest as it accrues or to defer interest payments. Deferred interest payments will be accumulated and added to the principal (capitalized) when repayment begins. You must request this option from your loan holder.

## Tip



### **Take extra precautions!**

- **If you request a deferment or forbearance in writing, keep a copy of your request. If you make the request by phone, document the call.**
- **Follow up with your loan holder to see if the deferment or forbearance request was acted upon.**
- **DO NOT assume the loan holder has approved your deferment or forbearance request until you receive notification from them.**

See pages 16 and 17 for more information about deferments.

## Forbearance

A forbearance is another way to extend the time you have to repay your loan(s) by allowing you to temporarily lower or postpone payments. Forbearance is granted when you are willing but temporarily unable to make full or partial payments and do not qualify for a deferment (for example, due to excessive medical bills). Contact your loan holder to request a forbearance.

**The two main differences between a deferment and a forbearance are:**

- ✓ **During a deferment, subsidized Federal Stafford Loan borrowers do not have to pay interest that accrues; but during a forbearance, all borrowers are responsible for paying interest.**
- ✓ **Receiving a deferment is one of your rights as a borrower (as long as you are eligible). However, the granting of most forbearances is discretionary; it is completely up to your loan holder whether to do so. Loan holders are required, under certain provisions, to grant a borrower a forbearance. Contact your loan holder to learn more about mandatory forbearances.**

## Cancellation (also known as "loan forgiveness")

Your student loan or a portion of your student loan may be cancelled (in other words, you won't have to repay it) for the reasons listed below. If you think you are eligible for loan cancellation, contact your loan holder for specific eligibility and documentation requirements.

**Total and Permanent Disability Discharge:** If the borrower becomes totally and permanently disabled

**Death Discharge:** If the borrower (or student for whom the parent received a Federal PLUS loan) dies

**False Certification Discharge:** If the school falsely certified the borrower's eligibility for the loan

**Closed School Discharge:** If the borrower received loan funds to attend a school that closed before the student could complete the program (The school must have closed within 90 days of the student's last date of attendance.)

**Unpaid Refund Cancellation:** If the borrower (or student for whom the parent received a Federal PLUS loan) withdrew from, was terminated from, or did not attend the school, resulting in a refund due to the borrower; and the borrower did not receive the benefit from the refund for which he or she was entitled

**Teacher Loan Forgiveness:** For Federal Stafford Loan borrowers (whose oldest outstanding FFELP loan was disbursed on or after Oct. 1, 1998) who teach full time in low-income Title I schools for five consecutive, complete academic years

## Tip



### Planning to transfer?

If you transfer to a new school, contact your loan holder, who will obtain documentation of your last day of attendance at your previous school. Remember, your loan holder needs to know you're still enrolled in school. If you don't notify your loan holder, you may be required to begin repaying your student loan(s) sooner than necessary, perhaps even while you're still in school. (In other words, the loan holder may assume you left school because the loan holder's records show you are no longer enrolled in the previous school.)

Also, be sure to contact the financial aid offices at BOTH schools: the one you transfer from and the one you transfer to.

## Tip



### Reading is a MUST!

It is VERY important that you read any correspondence you receive about your FFELP loan(s), regardless of whether it's from your lender, loan holder, guarantor, secondary market, or a collection agency.

### SFA Ombudsman

If you have a question or concern about your student loan, first contact your school, lender, or guarantor. Another resource available to you is the U.S. Department of Education's SFA Ombudsman. The SFA Ombudsman works with student loan borrowers to help informally resolve student loan disputes and problems. The toll-free Ombudsman Customer Service Line is (877) 557-2575. The mailing address is Office of the Ombudsman, U.S. Department of Education, 4th Floor UCP-3/MS 5144, 830 First Street NE, Washington, DC 20202. For more information, visit [www.sfahelp.ed.gov](http://www.sfahelp.ed.gov).

# Consolidation...An Alternative Route

If you are financially unable to manage your loans or if you have loans through different lenders or with different loan holders, consider applying for a Federal Consolidation Loan. Loan consolidation allows you to combine one or more outstanding federal student loans into one new loan (payable to one loan holder) and to extend the overall length of your repayment period, reducing your monthly payment amounts.



**Contact your lender or loan holder to see if loan consolidation is the best option for you.**

## Loans Eligible for Consolidation

- Subsidized and unsubsidized Federal and Direct Stafford Loans
- Federal and Direct PLUS loans
- Federal Supplemental Loans for Students (SLS)
- Federal Perkins Loans
- Auxiliary Loans to Assist Students made before Oct. 17, 1986
- Federal Insured Student Loans
- Health Professions Student Loans, including Loans for Disadvantaged Students
- Health Education Assistance Loans (HEAL)
- Nursing Student Loans

## Interest Rate

Generally, the interest rate on a Federal Consolidation Loan is the weighted average of the interest rates for the loans being consolidated, rounded up to the nearest one-eighth of 1 percent and capped at 8.25 percent.

If you consolidate your HEAL loan(s), the portion of the consolidation loan that repays your HEAL loan(s) has a variable interest rate that changes annually.

## Maximum Repayment Period

The maximum time you are allowed to repay a Federal Consolidation Loan varies, depending on the amount of your loan and any outstanding amounts you owe on other education loans that are not included in the consolidation.

Less than \$7,500.....	10 years	\$20,000 - \$39,999 .....	20 years
\$7,500 - \$9,999.....	12 years	\$40,000 - \$59,999 .....	25 years
\$10,000 - \$19,999.....	15 years	more than \$59,999.....	30 years

**Keep in mind, however, two important points about loan consolidation:**

- ✓ **The total amount you repay will probably be MORE because you are increasing the amount of time to repay the loan and the interest rate may be higher than the interest rate(s) on your original loan(s).**
- ✓ **You may forfeit your eligibility for certain deferment opportunities.**
- ✓ **If you consolidate your loan(s) while you are in your grace period, you will forfeit the remaining grace period.**

## Tip



## **Married?**

**Married couples are eligible to consolidate their individual loans together. Doing so requires both persons to be held "jointly and severally liable" for repayment of the entire debt (even if the repayment period outlasts the marriage). Also, BOTH individuals must qualify if you want a deferment.**

# Don't Get Lost...Default Can Ruin Your Record

**You will be considered "delinquent" on your loan if you are late making a payment. Delinquencies of more than 90 days are reported to national credit bureaus. If you allow your account to default, the consequences will be serious.**

## Tip



### **Defaulters don't slip through the cracks!**

**If you default, you face serious penalties. Unlike consumer loans, federal student loans do not have a statute of limitations. If you default on your FFELP loan, the holder of your loan may garnish your wages or take other action against you at any time until the loan is paid in full. Also keep in mind that interest continues to accrue on the debt and collection costs may be added, and years of not paying back a loan will substantially increase the total debt.**

## **Loans are not gifts or grants! They must be repaid!**

Being in default is a violation of your loan agreement. If you are at least 270 days late on a scheduled payment, you will be considered in default. Loan holders will assume you do not intend to repay your student loan and will file a "default claim" with your guarantor.

**Some of the consequences of defaulting on a student loan include:**

- ✓ **Your default will be reported to national credit bureaus and will remain on your credit report for seven years AFTER your loan is paid in full. You will be assigned the worst possible credit rating, which can have severe consequences on your ability to obtain a credit card, a loan for a house or car, or other financing.**
- ✓ **Your federal Treasury payments (for example, federal tax refunds and Social Security payments) and state income tax refunds may be withheld and applied toward your outstanding loan balance.**
- ✓ **While you retain your right to review your academic records, a hold can be placed on your official academic transcript.**
- ✓ **Up to 10 percent of your net wages may be garnished and applied toward your loan.**
- ✓ **Your loan, including interest, becomes immediately due and payable in full.**
- ✓ **You may be ineligible to receive any federal or state financial assistance funds as well as deferments or forbearances.**
- ✓ **Your loan may be turned over to a collection agency, and you may be charged collection costs.**
- ✓ **Your default will have an adverse effect on the FFEL Program and could jeopardize the educational opportunities of future students.**
- ✓ **Your guarantor or the U.S. Department of Education may file a lawsuit against you to collect the debt.**

# Default...A Road Block You Can Avoid

The key to preventing default is **COMMUNICATION**. There is no reason to default. Your loan holder can help you only if you communicate at the first sign of a problem with repayment. Contact your loan holder the first time you are unable to make your payment.

## If you cannot pay:

- ✓ You may be eligible for a deferment or forbearance. Your loan holder will help you determine this.
- ✓ Consider a Federal Consolidation Loan, which may allow smaller monthly payments by combining current payments or by extending your repayment period. (See page 9.)
- ✓ Ask about options like extended, graduated, and income-sensitive repayment terms. (See page 6.)
- ✓ Review your budget and, if necessary, seek professional financial counseling.

## Also, remember to contact your loan holder if:

- your address or phone number changes,
- you don't hear from your loan holder during your grace period, or
- your name, employer, or Social Security number changes.

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**Your choices about your student loan debt can enable you to finance an educational investment in yourself and can open many doors to opportunity.**

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### It's on the pocket!

Complete the information on the front pocket of this book, and refer to it when you need to contact your loan holder.

# Reference Section



## Who

**Borrower** - The person who obtains the loan from the lender. **You!** (Or in the case of a PLUS loan, a PARENT borrower.)

**Credit Bureau** - An organization that maintains information on a person's credit history. Financial institutions and other creditors, employers, and landlords obtain credit bureau reports for information about a person's credit rating. Defaulted student loans are reported to credit bureaus and remain on the borrower's credit rating for seven years after the account is paid in full.

**Eligible School** - A postsecondary institution approved by the U.S. Department of Education for participation in the Federal Family Education Loan Program (FFELP). Your school's financial aid office will determine your eligibility for many types of financial aid, including grants, scholarships, and loans, and will process your loan application.

**Endorser (or Co-signer)** - A person who agrees to repay the loan if the borrower does not.

**Federal Government** - The federal government regulates the Federal Family Education Loan Program (FFELP). Congress makes the laws for the FFELP and the U.S. Department of Education regulates and enforces them.

**Guaranty Agency (or Guarantor)** - An organization that administers the Federal Family Education Loan Program (FFELP) on behalf of the U.S. Department of Education. If a borrower defaults on a loan, the guaranty agency will pay the lender for the loan and collect the loan from the defaulted borrower. The Missouri Student Loan Program is Missouri's "designated" guaranty agency. (Your guarantor should be listed on the Notice of Loan Guarantee you receive from your lender.)

**Holder** - A lender or secondary market that purchases a student loan and has the right to collect from the borrower.

**Lender** - A bank, savings and loan, or credit union that provides the actual loan funds. Some lenders will "service" (that is, handle correspondence for) your loan while you are in school. Other lenders will sell and transfer your loan to a secondary market.

**MOSTARS** - The student assistance division of the Missouri Department of Higher Education that administers state and federal grant, scholarship, and loan programs, including the Missouri Student Loan Program, and provides statewide services related to planning and paying for college to Missouri families.

**MSLP** - The Missouri Student Loan Program is the guarantor of your Federal Family Education Loan Program (FFELP) loan.

**Secondary Market** - Secondary markets, such as MOHELA and Sallie Mae, purchase student loans from lenders and service them until they are paid in full. You will be notified by mail if your lender sells your loan to a secondary market.

**Servicer** - Private companies that many schools, lenders, guaranty agencies, and secondary markets contract with to handle student loan processing.

**SFA Ombudsman** - An office within the U.S. Department of Education that works with student loan borrowers to informally resolve loan disputes and problems.



## What

**Cancellation (or Loan Forgiveness)** - The release of a borrower's obligation to repay, i.e., forgiveness of the debt. (See page 8 for more information.)

**Collection Costs** - If you are late making a payment, your lender or guaranty agency may add collection costs to your account; this will increase your total debt.

**Consolidation** - The combining of one or more student loans into a new loan. Generally, this results in lower monthly payments but higher total interest costs. (See pages 6 and 9 for more information.)

**Default** - A loan is considered to be in default when the account is 270 days delinquent. Once in default, it is reasonable to conclude that the borrower does not intend to repay. (See pages 10 and 11 for more information.)

**Deferment** - A period of time during which you may postpone payments. (See pages 7, 16, and 17 for more information.)

**Delinquency** - Failure to make a full payment when it is due.

**Fees** - Federal Stafford Loan and Parent Loans for Undergraduate Students (PLUS) borrowers may be charged two types of fees when the loan is disbursed.

■ A **guarantee fee** (also called "insurance premium") is equal to a maximum of 1 percent of the loan amount. The Missouri Student Loan Program does not charge a guarantee fee.

■ An **origination fee** is equal to a maximum of 3 percent of the loan amount. Your lender will deduct this amount from each disbursement of your loan proceeds and remit it to the U.S. Department of Education. Your lender may choose to pay all or a portion of this fee on your behalf.



**FFELP** - The Federal Family Education Loan Program is a federal student loan program made up of subsidized and unsubsidized Federal Stafford Loans, Federal Parent Loans for Undergraduate Students (PLUS), and Federal Consolidation Loans.

**Forbearance** - A period of time during which you are permitted to stop making payments or reduce the amount of payments. (See page 8 for more information.)

**Grace Period** - The time period between the day you are no longer enrolled at least half time and the day you must begin repayment. (See page 5 for more information.)

**Interest** -

■ **Simple interest** is calculated on the principal portion of your student loan.

■ **Variable interest** rates are tied to a certain index (depending on the loan) and change periodically as the index changes.

■ **Fixed interest** rates do not change during the life of the loan.

■ **Accrued interest** builds gradually on the loan and is payable by the borrower or federal government, depending on the loan type. Each day, interest is calculated on the unpaid principal balance and becomes accrued interest.

■ **Capitalized interest** is unpaid accrued interest that is added to the principal balance. When interest is capitalized, your total debt increases.

**Loan Forgiveness** - See "Cancellation."

**Master Promissory Note (MPN)** - When you sign a Master Promissory Note, you promise to pay all the loans made under that note. (See page 1 for more information.)

**Notice of Loan Guarantee** - A form you will receive from your lender, containing the names, addresses, and phone numbers of your guarantor, school, and lender and specifying your interest rate, the disbursement date(s) set by your school, and the total original amount of student loans guaranteed by your guarantor.

**Principal** - The actual amount borrowed. (The face value of a loan or the amount on which interest is charged.)

**Promissory Note** - The legal and binding contract a

borrower signs promising to repay a loan. (See also "Master Promissory Note.")

**Repayment Schedule (or Disclosure of Terms)** - A document with information about the terms of your repayment, such as the monthly payment amount, the number of payments, the first due date, and subsequent due dates. *Remember: Your loan is due when your grace period ends whether or not you receive repayment information or otherwise hear from your loan holder. If you are not contacted within five months of leaving school, notify your loan holder.* (See page 6 for more information.)

**Satisfactory Academic Progress** - To remain eligible for Federal Family Education Loan Program (FFELP) loans, students must maintain satisfactory academic progress as defined by the school.

**State Tax Offset** - The withholding of a defaulted borrower's state income tax refund to pay a student loan debt.

**Subsidized (or Interest Subsidy)** - The federal government pays the interest on your loan while you are enrolled in school at least half time, during authorized deferment periods, and during your grace period. You are not required to make any principal or interest payments during these periods.

**Treasury Offset** - The withholding of a defaulted borrower's federal Treasury payments, such as federal tax refunds or Social Security benefits, to pay a student loan debt.

**Unsubsidized** - The federal government does NOT make any interest payments on an unsubsidized loan. However, like with a subsidized loan, you do not have to make any principal payments on an unsubsidized loan while you are enrolled in school at least half time, during authorized deferment periods, and during your grace period. Unpaid interest will be added to the principal balance on your loan.

**Wage Garnishment** - The withholding of up to 10 percent of a defaulted borrower's wages to pay a defaulted student loan debt.

# Student Loan Repayment Chart

## Standard 10-Year Repayment Period

Total Amount Borrowed	Minimum Payment	Total Interest Paid	Minimum Annual Salary Needed	Minimum Hourly Salary Needed
\$5,000	\$61.33	\$2,359.16	\$9,199	\$4.42
\$7,500	\$91.99	\$3,538.74	\$13,798	\$6.63
\$10,000	\$122.65	\$4,718.32	\$18,398	\$8.85
\$12,500	\$153.32	\$5,897.89	\$22,997	\$11.06
\$15,000	\$183.98	\$7,077.47	\$27,597	\$13.27
\$17,500	\$214.64	\$8,257.05	\$32,196	\$15.48
\$20,000	\$245.31	\$9,436.63	\$36,796	\$17.69
\$25,000	\$306.63	\$11,795.79	\$45,995	\$22.11
\$30,000	\$367.96	\$14,154.95	\$55,194	\$26.54
\$35,000	\$429.28	\$16,514.10	\$64,393	\$30.96
\$42,500	\$521.27	\$20,052.84	\$78,191	\$37.59
\$57,500	\$705.25	\$27,130.31	\$105,788	\$50.86
\$65,000	\$797.24	\$30,669.05	\$119,586	\$57.49
\$72,500	\$889.23	\$34,207.78	\$133,385	\$64.13
\$87,500	\$1,073.21	\$41,285.26	\$160,982	\$77.39
\$95,000	\$1,165.20	\$44,823.99	\$174,780	\$84.03
\$102,500	\$1,257.19	\$48,362.73	\$188,578	\$90.66
\$117,500	\$1,441.17	\$55,440.20	\$216,175	\$103.93
\$138,500	\$1,698.74	\$65,348.66	\$254,811	\$122.51

All figures are based on an 8.25 percent annual interest rate and equal monthly payments.

Minimum salaries are based on the 8 percent recommendation: Student loan payments should not exceed 8 percent of your gross income.

# Student Loan Repayment Chart

## Extended 25-Year Repayment Period\*

Total Amount Borrowed	Minimum Payment	Total Interest Paid	Minimum Annual Salary Needed	Minimum Hourly Salary Needed
\$30,000	\$236.54	\$40,960.51	\$35,480	\$17.06
\$35,000	\$275.96	\$47,787.26	\$41,394	\$19.90
\$42,500	\$335.09	\$58,027.39	\$50,264	\$24.17
\$57,500	\$453.36	\$78,507.65	\$68,004	\$32.69
\$65,000	\$512.49	\$88,747.78	\$76,874	\$36.96
\$72,500	\$571.63	\$98,987.90	\$85,744	\$41.22
\$87,500	\$689.89	\$119,468.16	\$103,484	\$49.75
\$95,000	\$749.03	\$129,708.29	\$112,354	\$54.02
\$102,500	\$808.16	\$139,948.42	\$121,224	\$58.28
\$117,500	\$926.43	\$160,428.67	\$138,964	\$66.81
\$138,500	\$1,092.00	\$189,101.03	\$163,801	\$78.75

All figures are based on an 8.25 percent annual interest rate and equal monthly payments.

Minimum salaries are based on the 8 percent recommendation: Student loan payments should not exceed 8 percent of your gross income.

\*You may be eligible for the extended repayment plan if you received your first loan on or after Oct. 7, 1998, and your total debt exceeds \$30,000.



# Types of Deferments

**ACTION Program** - For full-time paid volunteers in an ACTION program (authorized under Title I of the Domestic Volunteer Act of 1973)

**Economic Hardship** - For borrowers who earn less than the minimum wage or who exceed a federally defined debt-to-income ratio

**Full-Time Student** - For borrowers enrolled full time at an eligible institution

**Graduate Fellowship** - For borrowers engaged in full-time study under a graduate fellowship program approved by the U.S. Department of Education

**Half-Time Student** - For borrowers enrolled at least half time but less than full time at an eligible institution

**Internship/Residency** - Involves serving in an internship or residency program that is required of the borrower to receive professional recognition in order to begin professional practice or service or that leads to a degree or certificate

**Military** - For members on active duty in the U.S. Armed Forces (Army, Navy, Air Force, Marine Corps, or Coast Guard) (Members of the National Guard or Reserve may qualify for a military deferment if serving in a full-time active duty status for at least one year or in cases of national emergency.)

**NOAA Corps** - For members on active duty in the National Oceanic and Atmospheric Administration Corps

**Parental Leave** - A six-month deferment for each occurrence that a borrower is pregnant or caring for a newborn or newly adopted child (The borrower must have been enrolled at least half time during the six months before the date the deferment is to begin. During the six-month deferment period, the borrower cannot be attending school or working full time.)

**Peace Corps** - For Peace Corps volunteers who serve at least one year

**Public Health Service** - For full-time officers in the Commissioned Corps of the U.S. Public Health Service

**Rehabilitation Training Program** - For borrowers engaged in study under a rehabilitation training program for persons with disabilities that have been approved by the U.S. Department of Education

**Tax-Exempt Organization** - For full-time paid volunteer service with a tax-exempt organization that the U.S. Department of Education has determined to be comparable to service as a Peace Corps or ACTION volunteer

**Teacher Shortage Area (or Targeted Teacher)** - For borrowers teaching full time in a public or nonprofit private elementary or secondary school in a teacher shortage subject area designated by the U.S. Department of Education

**Temporary Total Disability** - A borrower is considered temporarily totally disabled if he or she has been unable to work and earn money or attend school for at least 60 days because of time needed to recover from an injury or illness OR because the borrower is caring for a dependent (including the borrower's spouse) who is temporarily totally disabled. The borrower must provide his or her loan holder a statement from a physician certifying that the borrower, dependent, or spouse is temporarily totally disabled.

**Unemployment** - For individuals who are actively seeking but unable to find full-time employment in the United States, regardless of whether he or she has been employed previously and of the circumstances under which any previous employment ended (A borrower is not eligible if he or she refuses to consider positions, salaries, or responsibility levels for which he or she feels overqualified.)

**Working Mother** - For mothers of preschool-age children who are entering or reentering the workforce and who receive wages of no more than \$1 per hour over the minimum wage

**Remember: Your eligibility for a deferment is based on your oldest outstanding FFELP loan.**

# Deferment Types and Limitations

			Federal Stafford & SLS Loans			Federal PLUS Loans				Federal Consolidation Loans <sup>3</sup>	
Deferment Type	Time Limit	Deferment Form	Before 7-1-87	7-1-87 to 6-30-93 <sup>1</sup>	On/After 7-1-93 <sup>2</sup>	Before 8-15-83	8-15-83 to 6-30-87	7-1-87 to 6-30-93 <sup>1</sup>	On/After 7-1-93 <sup>2</sup>	Before 7-1-93	On/After 7-1-93 <sup>2</sup>
Full-Time Student	N/A	EDU	•	•	•	• <sup>4</sup>	• <sup>4</sup>	• <sup>4</sup>	• <sup>5</sup>	•	•
Half-Time Student	N/A	EDU		•	•			• <sup>4</sup>	• <sup>5</sup>	•	•
Graduate Fellowship	N/A	EDU	•	•	•	• <sup>5</sup>	• <sup>5</sup>	• <sup>5</sup>	• <sup>5</sup>	•	•
Rehabilitation Training	N/A	EDU	•	•	•	• <sup>4</sup>	• <sup>4</sup>	• <sup>4</sup>	• <sup>5</sup>	•	•
Armed Forces/Public Health	3 years	PUB	•	•		•					
NOAA Corps	3 years	PUB		•							
Peace Corps/ACTION	3 years	PUB	•	•		•					
Volunteer Service	3 years	PUB	•	•		•					
Teacher Shortage Area	3 years	EDU		•							
Temp. Total Disability	3 years	TDIS	•	•		•	•	•		•	
Tax-Exempt Org.	3 years	PUB	•	•		•				•	
Economic Hardship	3 years	HRD			•				•		•
Unemployment	2-3 years	UNEM	•	•	•	•	•	•	•	•	•
Internship/Residency	2 years	EDU	•	•		•					
Working Mother	1 year	PLWM		•							
Parental Leave	6 months	PLWM	•	•							

- 1 **July 1, 1987 to June 30, 1993** – A borrower who, on the date he or she signed the promissory note, has no outstanding balance on one of the following:
  - a Federal Stafford, SLS, or PLUS loan first disbursed before July 1, 1987, for a period of enrollment beginning before July 1, 1987, or
  - a Federal Consolidation Loan that repaid a loan first disbursed before July 1, 1987.
- 2 **On/After July 1, 1993** – A borrower who received a FFELP loan with a first disbursement on or after July 1, 1993, AND who has no outstanding balance on a FFELP loan as of July 1, 1993, or the date he or she obtains a loan on or after July 1, 1993. (This includes a borrower who obtains a Federal Consolidation Loan on or after July 1, 1993, if he or she has no other outstanding FFELP loan when the Federal Consolidation Loan was made.)
- 3 **Federal Consolidation Loans and Interest Benefits During Deferment**
  - Federal Consolidation Loans made from an application received by the lender on or after Jan. 1, 1993, and before Aug. 10, 1993, are eligible for interest benefits during deferment.
  - Federal Consolidation Loans made from an application received by the lender on or after Aug. 10, 1993, are eligible for interest benefits ONLY if the Federal Consolidation Loan consists of only subsidized Federal Stafford Loans.
  - Federal Consolidation Loans made from an application received by the lender on or after Nov. 13, 1997, are eligible for interest benefits on the portion of the Federal Consolidation Loan that repaid subsidized FFELP and Direct Loans.
- 4 EITHER the parent borrower OR dependent student for whom the parent obtained the PLUS loan must meet deferment eligibility requirements. PLUS borrowers who apply for deferment based on the eligibility of the dependent student must use the separate “PLUS” form.
- 5 The parent borrower must meet deferment eligibility requirements.



# Notes



# Notes

# Notes

# Exit Interview Verification Form

## Student Information

Please print clearly.

Name (last, first, m.i.) \_\_\_\_\_ Date of Birth \_\_\_\_\_

Social Security Number \_\_\_\_\_ Driver's License (state and number) \_\_\_\_\_

Permanent Address (street) \_\_\_\_\_

(city, state, ZIP code) \_\_\_\_\_

Permanent Phone Number \_\_\_\_\_ E-mail Address \_\_\_\_\_

Spouse's Name \_\_\_\_\_

Next of Kin's Name \_\_\_\_\_

Phone Number \_\_\_\_\_

Address (street, city, state, ZIP code) \_\_\_\_\_

Two Relatives/Adults (who are not residing at next of kin's address and who always will know your whereabouts)

1. Name \_\_\_\_\_ Phone Number \_\_\_\_\_

Address (street, city, state, ZIP code) \_\_\_\_\_

2. Name \_\_\_\_\_ Phone Number \_\_\_\_\_

Address (street, city, state, ZIP code) \_\_\_\_\_

## Future Plans Check off and complete all that apply.

☐ I plan to be employed by (company name) \_\_\_\_\_

Expected Employer's Address (street, city, state, ZIP code) \_\_\_\_\_

☐ I plan to re-enroll at (institution name) \_\_\_\_\_ effective (mo/yr) \_\_\_\_\_

☐ I plan to perform military service in (branch name) \_\_\_\_\_ effective (mo/yr) \_\_\_\_\_

☐ Other \_\_\_\_\_

## Borrower Rights and Responsibilities Checklist Check off each box once you understand each statement.

### I understand I have a RIGHT to:

☐ notification, in writing, if my loan is sold or transferred, showing the name, address, and phone number of the new holder. I must direct all future correspondence to that new holder. The current holder of my loan is \_\_\_\_\_

My guaranty agency is \_\_\_\_\_

☐ receive information about the availability of the income-sensitive repayment schedule options, before my first payment is due, specifying the amount of monthly principal and interest payments, the first due date and subsequent due dates.

☐ defer repayment for a defined period, if I qualify and if I request it from my lender/holder.

☐ request a forbearance from my lender/holder, if I don't qualify for a deferment and if I am unable to make payments on my loan.

☐ prepay all or any part of the amount I owe without penalty.

☐ a standard minimum monthly loan payment of \$50, which can be more depending on the amount I borrow OR less with a graduated or income-sensitive repayment option.

☐ a maximum of 10 years to repay my loan, unless my loans are consolidated or I qualify for the extended repayment schedule option. Extending my repayment term may increase my total debt. Repayment begins as follows:

- after a six-month grace period for subsidized Federal Stafford Loans,
- after a six-month grace period for unsubsidized Federal Stafford Loans, even though interest accrues while I am in school and can be paid or postponed until graduation, and
- within 60 days of the last disbursement for PLUS loans, unless a deferment has been approved.

### I understand:

☐ I must repay my loan and all accrued and/or capitalized interest and fees according to the established repayment schedule, even if I drop out of school, cannot find a job, or am dissatisfied with the education I receive.

☐ I must notify my lender(s)/holder(s) if I:

- change my address,
- change my name,
- change my phone number,
- change my Social Security number,
- re-enroll in school,
- transfer to another school, or
- change my graduation date.

☐ if I fail to repay my loan, I will be considered in default and the following may result:

- My loan will be reported to national credit bureaus and will have a negative effect on my credit rating for at least seven years.
- The entire unpaid amount of my loan, including interest, will become immediately due and payable.
- My federal Treasury payments and state income tax refunds may be withheld.
- My wages may be garnished.
- I may be ineligible to receive any additional federal or state financial aid funds.
- My loan may be turned over to a collection agency.
- My guarantor or the U.S. Department of Education may file a lawsuit to collect the debt.

I have read and understand all of the above information as well as the borrower's rights and responsibilities section contained on my promissory note. I also understand that my student loans are generally not dischargeable through bankruptcy.

Borrower Signature \_\_\_\_\_ Date \_\_\_\_\_

